

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 261823Z NOV 76
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 9343
INFO AMEMBASSY BONN

S E C R E T LISBON 8227

EXDIS

DEPT PASS DIA WASHDC

E.O. 11652: GDS
TAGS: ENRG, MILI, EAID, GW, PO
SUBJECT: FRG INVESTMENT AND ECONOMIC/MILITARY ASSISTANCE TO
PORTUGAL

REF: (A) STATE 287844 (NOTAL), (B) USDAO LISBON 61250Z NOV 76.

1. FOLLOWING IS RESPONSE TO DEPT REQUEST IN REF A FOR COMMENT
ON REF B. EMBASSY COMMENT IS KEYED TO REF B.

A. FRG REPRESENTATIVES MIGHT WELL HAVE MET WITH GOP
OFFICIALS DURING RECENT PS CONGRESS OF EFTA MINISTERIAL MEETING.
HOWEVER, NO MINISTERS ARE KNOWN TO HAVE ACCOMPANIED WILLY
BRANDT TO PS CONGRESS AND EFTA DELEGATION DOES NOT APPEAR
TO HAVE BEEN DIVERSE ENOUGH TO NEGOTIATE SUCH AN IMPORTANT
ASSISTANCE PROGRAM. AMBASSADOR IS IN CONTINUOUS TOUCH WITH
GERMAN AMBASSADOR ON SUBJECT OF AID, AND MET WITH HIM
DAY AFTER REF REPORT. NO MENTION WAS MADE OF "PHASED ECONOMIC
PROGRAM OF SIGNIFICANT MAGNITUDE."

B. (1) EMBASSY HAS NO FIRM INFORMATION TO INDICATE
FRG AND GOP ARE NEGOTIATING PURCHASE OF NUCLEAR PLANTS.
EMBASSY OFFICERS HAVE HAD SEVERAL MEETINGS WITH KEY FRG EMBASSY
AND GOP NUCLEAR OFFICIALS DURING PAST MONTH AND SUBJECT
HAS NEVER BEEN MENTIONED. ECON COUNSELOR HAS MET WITH FRG-COUNTER-
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PART, AND EXIMBANK DELEGATION HAD LONG MEETING NOVEMBER 9 WITH

SECRETARY OF STATE FOR ENERGY. DURING LATTER MEETING
POSSIBLE EX-IM FINANCING FOR NUCLEAR PLANT WAS DISCUSSED BRIEFLY.

B. (2) NUCLEAR POWER PLANT SCHEME OUTLINED REF B DOES
NOT MATCH KNOWN PLANS OF PORTUGUESE ELECTRICITY COMPANY (EDP).
FOUR 900MW PLANTS WOULD MORE THAN DOUBLE PRESENT INSTALLED
CAPACITY (NOT COUNTING HYDRO AND THERMAL UNITS CURRENTLY
UNDER CONSTRUCTION). UNLESS NUCLEAR CONSTRUCTION WERE
SPREAD OUT OVER SOME 20 YEARS, NEW CAPACITY WOULD
OUTSTRIP PROJECTED CONSUMPTION GROWTH. SITES LISTED
ALSO SEEM DOUBTFUL. WHILE EDP HAS PLANNED EVENTUALLY TO
INSTALL TWO UNITS EACH AT PENICHE AND SINES, AVAILABILITY OF
COOLING WATER AT BRAGANCA AND CASTELO BRANCO SITES IS PROBLEMATIC.
BRAGANCA LIES FAR NORTH OF THE MONDEGO RIVER. IN ANY CASE,
NUCLEAR POWER PLAN REQUIRES APPROVAL BY ASSEMBLY OF THE REPUBLIC,
AN APPROVAL WHICH IS FAR FROM ASSURED.

B. (3) ONLY INDICATION THAT COULD POSSIBLY SUPPORT
REPORT IS RECENT CONVERSATION BETWEEN GENERAL ELECTRIC
PORTUGUESA AND OFFICIALS OF GOP NUCLEAR ENTITIES.
OVER PAST FOUR MONTHS EDP HAS REPEATEDLY POSTPONED
TRANSMITTAL OF LETTERS REQUESTING EXPRESSION OF INTEREST
IN BIDDING FOR FIRST NUCLEAR PLANT. THE LAST TIME GE
INQUIRED ABOUT STATUS OF LETTERS, TECHNICAL-LEVEL OFFICIALS
IMPLIED THAT GOP MIGHT CONSIDER GOVERNMENT-TO-GOVERNMENT
AGREEMENT IN ORDER TO SPEED UP COMPLETION OF PROJECT. OFFICIALS
THEN MENTIONED SOUTH AFRICAN AND BRAZILIAN CASES. ACCORDING TO GE,
OFFICIALS WOULD NOT ELABORATE.

C. EMBASSY DOUBTS FRG PRESSURE HAD ROLE IN LOPES CARDOSO
RESIGNATION, WHICH WAS PRIMARILY RESULT OF INTERNAL PS POLITICS.

D. DEPARTMENT MAY WISH TO HAVE EMBASSY BONN COMMENT
ON THE "EXCESS OF GERMAN FUNDS."

E. IT SEEMS DOUBTFUL THAT INVESTORS WOULD BASE A DECISION
SOLELY ON PORTUGAL'S FOREIGN INVESTMENT CODE OR ON POLITICAL
STABILITY. SUCH FACTORS AS EXCHANGE RATES, REAL COSTS,
PRODUCTIVITY, LABOR MILITANCY, ETC. ARE AT LEAST AS IMPORTANT.
FRG AMBASSADOR TOLD AMBASSADOR OF ONE GERMAN COMPANY THAT HAS
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DECIDED TO INCREASE ITS INVESTMENT SIGNIFICANTLY.

F. EMBASSY HAS NO INFORMATION CONCERNING AN
UPCOMING VISIT EITHER BY BRANDT OR OTHER FRG IMPORTANT OFFICIAL.
SOARES WILL MEET BRANDT AT SOCIALIST INTERNATIONAL THIS WEEKEND.

G. FRG AMBASSADOR TOLD AMBASSADOR RECENTLY THAT FRG HAD MADE ONE
ATTEMPT TO ENCOURAGE A PS-PSD COALITION SOME MONTHS AGO, BUT WAS NOT

PUSHING IT NOW. HE DID NOT KNOW IF BRANDT PERSONALLY WAS STILL EXERTING PRESSURE IN THIS DIRECTION.

H. THIS PARA PROBABLY RELATES TO MODERNIZATION PROGRAM BEING DISCUSSED AT NATO (SEE LISBON 7410).

2. IN SUM WE THINK "SOURCE" TOOK A NUMBER OF UNCONNECTED EVENTS AND PLANS, SOME OF WHICH WERE HIGHLY TENTATIVE AND SOME OF WHICH HE DIDN'T COMPREHEND, AND BUILT THEM INTO A SEEMINGLY LARGE AND COHESIVE PROGRAM. WE DOUBT THE FRG HAS ANY SUCH MAJOR SURPRISES IN STORE FOR US. CARLUCCI

NOTE BY OC/T: NOT PASSED DIA.

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